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FISCAL IMPACT STATEMENT

LS 7866

BILL NUMBER: SB 547

NOTE PREPARED: Jan 16, 2007

BILL AMENDED:

SUBJECT: Utility Rates and Charges.

FIRST AUTHOR: Sen. Tallian

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill gives the Utility Regulatory Commission (IURC) broader access to records of an affiliate of an electric or gas utility. The bill provides that in a case for a fuel or gas cost charge, the Utility Consumer Counselor (OUCC) or any party or intervenor may examine the records of an affiliate from which a utility buys fuel or gas to determine the reasonableness of the cost. The bill also provides that as part of the regular examination of a utility's records, the OUCC may also examine the records of an affiliate from which the utility buys fuel or gas to determine the reasonableness of the cost of the fuel or gas. The bill allows the IURC, in ascribing revenue to a utility seeking a fuel or gas cost charge, to ignore any corporate distinction between the utility and an affiliate selling fuel or gas to the utility. The bill provides that a contract between a utility and an affiliate is not effective unless the IURC finds that the contract is in the public interest and the result of arm's length negotiations. The bill also allows the IURC to adopt rules concerning certain transactions between utilities and affiliates. This bill prohibits a public utility that provides certain services from providing subsidies to its affiliates or for its unregulated activities. The bill requires an electric utility to report to the IURC any unplanned service interruptions that last at least two hours and affect at least : (1) 2% of the utility's customers; or (2) 1,500 customers; whichever is less. This bill also requires the IURC to adopt rules establishing regular reporting intervals at which utilities must update the IURC on service restoration efforts. The bill provides that the reporting intervals for nonbusiness days must be at least as frequent as those for business days.

This bill also provides that the amount of a deposit charged to a potential or an existing customer by an electric or gas utility may not exceed one-sixth of the estimated annual cost of the utility service to be provided to the customer. The bill allows a utility to impose a reasonable and just charge for the connection or reconnection of a customer's utility service. The bill also provides that the charge may not exceed the utility's actual costs of connecting or reconnecting the service. The bill requires the IURC to amend certain

rules governing: (1) customer deposits and connection and reconnection charges for electric and gas utility service; and (2) the reporting of certain measurements of an electric utility's system's reliability.

Effective Date: Upon passage; July 1, 2007.

Explanation of State Expenditures: *IURC & OUCC:* This bill would increase the administrative costs of both the Indiana Utility Regulatory Commission (IURC) and the Utility Consumer Counselor (OUCC). The bill would require development of new procedures, promulgation of new rules, and amendment of current rules regarding service interruption reports, reconnection fees, customer deposits, utility record examinations, and utility contracts with affiliates. It is estimated that the IURC and OUCC could implement the provisions of this bill through the use of existing staff and resources.

The operating budgets of the IURC and OUCC are currently funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the two agencies' budgets, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.15% of their gross intra-state operating revenues to fund the IURC and OUCC. In FY 2006, fees from the utilities and fines generated approximately \$11.8 M.

All State and Local Government: To the extent that any provisions of this bill allows or requires a utility to adjust rates or request a rate adjustment, and to the extent that rates are therefore increased, the utility costs for all state and local units of government could be impacted. It is estimated that this increase could be covered through the use of existing staff and resources. Also, this increase may be offset by a possible increase in Utility Receipts Tax (URT) or Utility Services Use Tax (USUT) collections as a result of the possible increase in rates. The rate for both the URT and USUT is 1.4%.

Explanation of State Revenues: If this bill causes or allows a utility to increase rates, there could be a increase in Utility Receipts Tax (URT) or Utility Services Use Tax (USUT) collections. The rate for both the URT and USUT is 1.4%.

Deposits: This bill also codifies the current IURC regulatory practice of not allowing a utility to collect a deposit that exceeds 1/6 of the estimated annual cost of the utility service to be provided to the customer. To the extent that this provision of the bill impacts deposits collected, collections of the URT and USUT would be impacted. Although, it is estimated that there will be no significant impact from this provision. The total amount of deposits collected by utilities is unknown.

Explanation of Local Expenditures: *All State and Local Government:* To the extent that any provisions of this bill allows or requires a utility to adjust rates or request a rate adjustment, and to the extent that rates are therefore increased, the utility costs for all state and local units of government could be impacted. It is estimated that this increase could be covered through the use of existing staff and resources. Also, this increase may be offset by a possible increase in Utility Receipts Tax (URT) or Utility Services Use Tax (USUT) collections as a result of the possible increase in rates. The rate for both the URT and USUT is 1.4%.

Explanation of Local Revenues:

State Agencies Affected: IURC.

Local Agencies Affected: Municipally owned utilities.

Information Sources:

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